



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

Date: February 22, 2007

MEMORANDUM FOR MANAGER, EO DETERMINATIONS

FROM: Robert Choi (signed) *Robert Choi*  
Acting Director, EO Rulings and Agreements

SUBJECT: Supporting Organizations IRC §509(a)(3)

The purpose of this memorandum is to suspend the issuance of determinations letters under §509(a)(3) of the Internal Revenue Code where the organization seeks “functionally integrated Type III supporting organization” status pending the issuance of guidance. This suspension applies to applications for exemption seeking functionally integrated Type III supporting organization status as well as determination letter requests seeking a change in foundation status to functionally integrated Type III supporting organization.

The Pension Protection Act of 2006, Pub. L. No. 109-208 (PPA) enacted certain requirements that affect all §509(a)(3) supporting organizations. It also effectively created a new category of Type III supported organization, the functionally integrated Type III organization, which is not subject to some of the more restrictive PPA requirements.

In general, supporting organizations have been identified by the type of relationship they have with their publicly supported organizations. A supporting organization that is operated, supervised or controlled by one or more publicly supported organizations is commonly known as a Type I supporting organization. A supporting organization supervised or controlled in connection with one or more publicly supported organizations is commonly known as a Type II supporting organization. A supporting organization that is operated in connection with one or more publicly supported organizations is commonly known as a Type III supporting organization. In addition to incorporating the previously informal nomenclature used to distinguish among types of supporting organizations into the statute, the PPA also defines a functionally integrated Type III supporting organization.

Functionally integrated Type III organizations are excluded from certain new PPA requirements such as the excess business holding rules of §4943 and the “payout rules.” The excess business holding rules apply a tax to organizations that exceed their permitted stock holdings. The payout rules require that supporting organizations must make significant payments to their supported organizations.

This suspension for processing applications seeking functionally integrated Type III supporting organization status and determination letter requests seeking a change in foundation status to functionally integrated Type III supporting organization is effective immediately and will last until guidance is available.